

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 16

ATTACHMENT(S): 4

ACTION: _____

DATE OF MEETING: October 7, 1998

INFORMATION: X

PRESENTER(S): Mr. Mitchell

The following is a summary of the developments in the financial markets that have occurred between September 1, 1998 and September 24, 1998.

1. The yield on the 30 year U.S. Treasury bond has decreased from 5.27% to 5.16%.
2. The market level of the S&P 500 Index has increased from 957 to 1,042.
3. The U.S. dollar has substantially weakened compared to the yen (139 to 135), pound sterling (168 to 170) and mark (175 to 168).
4. The Federal Reserve Board of Governors next scheduled meeting is September 29, 1998. The consensus is divided between allowing the level of short term interest rates remained unchanged at 5.50% and reducing the level of short term rates to 5.25%.
5. The eight large capitalization domestic equity managers (Bank of America, Brinson Partners, Brown Capital Management, Delaware Investment Advisors, First Quadrant, NCM Capital, Putnam Investments, and SASCO Capital) should complete their investment management contracts within the next thirty days. Funding will begin in October, when each manager is expected to receive an allocation.
6. A significant agreement (some used the term bailout) was reached between the faltering Long Term Capital Management (a giant hedge fund) and a consortium of large financial institutions which was negotiated by the Federal Reserve Bank.

Attachment 1, pages 1 & 2 are not available in electronic format at this time

California State Teachers' Retirement System
Off Balance Sheet Transactions
For the period ended August 31, 1998

<i>Currency Hedging - Market Value (amounts in millions)</i>						
Managers	Pacific Basin		European		Total	
Active International	\$1,043.45	-21.7%	\$ 3,693.78	-16.1%	\$4,737.23	-17.3%
Passive International	\$2,989.51	-16.6%	\$ 7,498.26	-3.3%	\$10,487.77	-7.1%
Global	\$ 97.57	21.9%	\$ 939.44	-12.6%	\$1,037.02	-9.3%

* Does not include emerging market securities, Canadian stocks, cash or accruals.

<i>Currency Realized Gains/(Losses) (amounts in millions)</i>			
Managers	Currency Realized Gains/(Losses)		
	1 Month	1 Year	Since Inception
Active International	\$5.64	\$47.63	\$136.14
Passive International	\$27.37	\$160.10	\$506.82
Global	\$1.16	\$8.12	\$98.38

<i>Securities Lending Income</i>			
Asset	Current Fiscal Year		Prior Fiscal Year
	7/98-8/98	vs.	7/97-8/97
Domestic Equity	\$1,372,739		\$1,299,802
International Equity	\$4,662,196		\$3,085,907
US Treasury	\$2,304,083		\$3,246,476
Other Fixed Income Securities	\$215,939		\$344,282
Total Income	<u>\$8,554,957</u>		<u>\$7,976,467</u>

<i>Securities Lending (On-Loan/Collateral Summary)</i>			
Asset	Securities On-Loan	Collateral Valuation	Percent
Domestic Equity	\$2,614,341,192	\$2,773,774,300	106%
International Equity	\$3,540,450,513	\$3,728,117,334	105%
US Treasury	\$9,305,216,546	\$9,487,005,196	102%
Other Fixed Income Securities	\$644,901,428	\$659,087,944	102%
Total Value	<u>\$16,104,909,679</u>	<u>\$16,647,984,774</u>	103%

California State Teachers' Retirement System
Global Managers
As of August 31, 1998

<i>TC46</i>					
<i>BARING INTERNATIONAL INVESTMENT LTD.</i>					
Region	Stocks	Bonds	Net Forward Position	Net Exposure	%
Pacific Basin	\$25,626,990	\$0	(\$22,204,295)	\$3,422,695	0.41%
Europe	\$225,872,775	\$170,071,223	(\$38,808,840)	\$357,135,158	43.10%
Canada	\$0	\$4,341,528	\$0	\$4,341,528	0.52%
Emerging Markets	\$29,002,084	\$0	(\$5,782,794)	\$23,219,290	2.80%
Total Non-Dollar	\$280,501,849	\$174,412,751	(\$66,795,929)	\$388,118,671	46.84%
United States	\$132,477,238	\$184,941,127	\$66,795,929	\$384,214,294	46.37%
Total Invested	\$412,979,087	\$359,353,878	\$0	\$772,332,965	93.21%
Cash/Receivable/Payable				\$56,244,447	6.79%
Total Assets				\$828,577,412	100.00%

<i>TC47</i>					
<i>BRINSON PARTNERS, INC..</i>					
Region	Stocks	Bonds	Net Forward Position	Net Exposure	%
Pacific Basin	\$36,619,112	\$15,857,403	\$61,401,878	\$113,878,393	15.07%
Europe	\$130,051,767	\$217,824,006	(\$55,115,095)	\$292,760,678	38.74%
Canada	\$4,313,444	\$21,739,947	\$20,129,546	\$46,182,937	6.11%
Emerging Markets	\$0	\$0	\$0	\$0	0.00%
Total Non-Dollar	\$170,984,323	\$255,421,356	\$26,416,329	\$452,822,008	59.92%
United States	\$81,149,668	\$216,888,503	(\$26,416,329)	\$271,621,842	35.94%
Total Invested	\$252,133,991	\$472,309,859	\$0	\$724,443,850	95.86%
Cash/Receivable/Payable				\$31,291,074	4.14%
Total Assets				\$755,734,924	100.00%

<i>TC48</i>					
<i>FIDUCIARY TRUST COMPANY INTERNATIONAL</i>					
Region	Stocks	Bonds	Net Forward Position	Net Exposure	%
Pacific Basin	\$19,470,812	\$0	(\$17,809,819)	\$1,660,993	0.32%
Europe	\$195,623,998	\$0	(\$23,986,378)	\$171,637,620	33.28%
Canada	\$4,280,938	\$0	\$11,126,356	\$15,407,294	2.99%
Emerging Markets	\$2,551,246	\$0	\$0	\$2,551,246	0.49%
Total Non-Dollar	\$221,926,994	\$0	(\$30,669,841)	\$191,257,153	37.09%
United States	\$228,161,380	(\$225)	\$30,669,841	\$258,830,996	50.19%
Total Invested	\$450,088,374	(\$225)	\$0	\$450,088,149	87.28%
Cash/Receivable/Payable				\$65,578,627	12.72%
Total Assets				\$515,666,776	100.00%

<i>GLOBAL MANAGERS</i>					
<i>SUMMARY</i>					
Region	Stocks	Bonds	Net Forward Position	Net Exposure	%
Pacific Basin	\$81,716,914	\$15,857,403	\$21,387,764	\$118,962,081	5.66%

California State Teachers' Retirement System

Global Managers

As of August 31, 1998

Europe	\$551,548,540	\$387,895,229	(\$117,910,313)	\$821,533,456	39.12%
Canada	\$8,594,382	\$26,081,475	\$31,255,902	\$65,931,759	3.14%
Emerging Markets	\$31,553,330	\$0	(\$5,782,794)	\$25,770,536	1.23%
Total Non-Dollar	\$673,413,166	\$429,834,107	(\$71,049,441)	\$1,032,197,832	49.15%
United States	\$441,788,286	\$401,829,405	\$71,049,441	\$914,667,132	43.56%
Total Invested	\$1,115,201,452	\$831,663,512	\$0	\$1,946,864,964	92.71%
Cash/Receivable/Payable				\$153,114,148	7.29%
Total Assets				\$2,099,979,112	100.00%

California State Teachers' Retirement System
Internal S&P 500 Portfolio

Over the past 5 months, the internal S&P 500 portfolio out-performed the S&P 500 Index by 0.022%. Table 1 summarizes the returns and characteristics of the S&P 500 for the month of August 1998.

Table 1: Summary of S&P 500

	Portfolio Return ¹	Index Return ²	Tracking Error
4/98 - 8/98	-12.520%	-12.542%	+0.022%
8/98	-14.423%	-14.436%	+0.013%
Portfolio Market Value	891 (\$ mil.)		
Index Market Value	7,651 (\$ bil.)		
P/E Ratio	24.56		
Dividend Yield	1.69		

¹ Portfolio return calculated by State Street Bank Analytics.

² The total return for the index was calculated by Wilshire Associates.